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GOVERNOR

STATE OF MICHIGAN  
OFFICE OF FINANCIAL AND INSURANCE REGULATION  
DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH  
STANLEY "SKIP" PRUSS, DIRECTOR

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COMMISSIONER

## BILL ANALYSIS

**BILL NUMBER:** HB 5235 (H-1)  
**TOPIC:** Medicare Supplement Insurance Modernization 2008  
**SPONSOR:** Representative Barb Byrum  
**CO-SPONSORS:** None  
**COMMITTEE:** Insurance  
**DATE:** September 2, 2009

### POSITION

The Office of Financial and Insurance Regulation (OFIR) supports this legislation.

### PROBLEM/BACKGROUND

The Medicare Improvements for Patients and Providers Act of 2008 (MIPPA) was enacted on July 15, 2008. The MIPPA was enacted to provide statutory authority to modernize the Medicare supplement market. The federal government requires states to adopt the MIPPA language in order to continue regulation of the Medicare supplement line of insurance.

### DESCRIPTION OF BILL

HB 5235 amends the Insurance Code by modifying several sections of chapter 38 and by adding sections 3807A, 3809A, 3811A, and 3819A. The legislation introduces two new Medicare supplement plans, M and N, and after June 1, 2010, removes plans E, H, I and J. Because consumers of Medicare supplement plans will be allowed to keep these obsolete plans, distinctions had to be made in the law regarding to which plans certain requirements apply and to those they do not. The effective date of the Medicare supplement policies that are in compliance with MIPPA is June 1, 2010.

HB 5235 follows the NAIC Model by reducing the number of available Medicare supplement plans to 11 from 17. The following benefits have been removed from the Medicare supplement benefit standards requirements for policies with an effective date of June 1, 2010: preventive

medical care, at-home recovery benefits, 80% coverage of the Part B excess charges, basic outpatient prescription drug benefit, and extended outpatient prescription drug benefit. The preventive medical and at-home recovery benefits were underutilized and outdated. Medicare now provides enhanced benefits under Part B making preventive care available with no deductible and co-payment requirements. The plans with outpatient prescription drug benefits were eliminated because the Medicare Modernization Act of 2003 stripped the plans of the prescription benefit and the coverage was also being offered under Part D of Medicare and the remaining plans. This includes the benefits that were also included in plans H, I, and J. Plan E was eliminated since the excess charges amount was changed to 100% from 80% for all plans, leaving Plan E with nothing unique to offer.

The benefits chart has been updated to reflect the benefits that will be offered through policies with an effective date of on or after June 1, 2010.

### **SUMMARY OF ARGUMENTS**

#### **Pro**

The adoption of the NAIC Model Regulation to Implement the NAIC Medicare Supplement Insurance Minimum Standards Model Act is required under federal mandate. If states do not adopt the standards that were passed in MIPPA, the ability to regulate that line of insurance will be relinquished.

### **FISCAL/ECONOMIC IMACT**

OFIR has identified the following revenue or budgetary implications in the bill:

(a) To the Office of Financial and Insurance Regulation:

Budgetary: None

Revenue: None

Comments:

(b) To the Department of Energy, Labor and Economic Growth:

Budgetary: None

Revenue: None

Comments:

(c) To the State of Michigan:

Budgetary: None

Revenue: None

Comments:

(d) To Local Governments within the State:

Budgetary: None

Revenue: None

**OTHER STATE DEPARTMENTS**

None

**ANY OTHER PERTINENT INFORMATION**

The federal government set September 24, 2009, as the deadline for states to implement the MIPPA changes. If the legislation is not passed, Michigan will cede its regulatory authority of Medicare supplement insurance to the Federal government.

The proposed legislation would amend the Michigan Insurance Code. OFIR has general rulemaking authority under the Insurance Code, 1956 PA 218.



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Ken Ross, Commissioner



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Date

